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SECOND SUBSTITUTE HOUSE BILL 3125

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State of Washington

60th Legislature

2008 Regular Session

By House Capital Budget (originally sponsored by Representatives Kenney, Haler, Sullivan, Simpson, Barlow, Quall, Kagi, Flannigan, Cody, Nelson, Ormsby, Darneille, and Hasegawa)

READ FIRST TIME 02/12/08.

1 AN ACT Relating to creating the building communities fund program;  
2 amending RCW 43.63A.125; adding new sections to chapter 43.63A RCW; and  
3 creating new sections.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** FINDINGS AND INTENT. (1) The legislature  
6 recognizes that although many regions of the state are thriving, there  
7 are still distressed communities throughout rural and urban Washington  
8 where capital investments in community services initiatives could  
9 create vibrant local business districts and prosperous neighborhoods.

10 (2) The legislature also recognizes that nonprofit organizations  
11 provide a variety of community services that serve the needs of the  
12 citizens of Washington, including many services implemented under  
13 contract with state agencies. The legislature also finds that the  
14 efficiency and quality of these services may be enhanced by the  
15 provision of safe, reliable, and sound facilities, and that, in certain  
16 cases, it may be appropriate for the state to assist in the development  
17 of these facilities.

18 (3) The legislature finds that providing these capital investments

1 is critical for the economic health of local distressed communities,  
2 helps build strong relationships with the state, and expands life  
3 opportunities for underserved, low-income populations.

4 NEW SECTION. **Sec. 2.** DEFINITIONS. The definitions in this  
5 section apply throughout RCW 43.63A.125, this section, and sections 3  
6 and 5 of this act unless the context clearly requires otherwise.

7 (1) "Department" means the department of community, trade, and  
8 economic development.

9 (2) "Distressed community" means: (a) A county that has an  
10 unemployment rate that is twenty percent above the state average for  
11 the immediately previous three years; (b) an area within a county that  
12 the department determines to be a low-income community, using as  
13 guidance the low-income community designations under the community  
14 development financial institutions fund's new markets tax credit  
15 program of the United States department of the treasury; or (c) a  
16 school district in which at least fifty percent of local elementary  
17 students receive free and reduced-price meals.

18 (3) "Nonprofit organization" means an organization that is tax  
19 exempt, or not required to apply for an exemption, under section  
20 501(c)(3) or 501(c)(6) of the federal internal revenue code of 1986, as  
21 amended.

22 (4) "Technical assistance" means professional services provided  
23 under contract to nonprofit organizations for feasibility studies,  
24 planning, and project management related to acquiring, constructing, or  
25 rehabilitating nonresidential community services facilities.

26 NEW SECTION. **Sec. 3.** BUILDING COMMUNITIES FUND ACCOUNT CREATED.  
27 The building communities fund account is created in the state treasury.  
28 The account shall consist of legislative appropriations and gifts,  
29 grants, or endowments from other sources as permitted by law. Moneys  
30 in the account may be spent only after appropriation. Expenditures  
31 from the account may be used only for capital and technical assistance  
32 grants as provided in RCW 43.63A.125.

33 **Sec. 4.** RCW 43.63A.125 and 2006 c 371 s 233 are each amended to  
34 read as follows:

35 (1) The department shall establish (~~a competitive process to~~

1 ~~solicit proposals for and prioritize projects that assist nonprofit~~  
2 ~~organizations in))~~ the building communities fund program. Under the  
3 program, capital and technical assistance grants may be made to  
4 nonprofit organizations for acquiring, constructing, or rehabilitating  
5 facilities used for the delivery of nonresidential ((social)) community  
6 services, including social service centers and multipurpose community  
7 centers, including those serving a distinct or ethnic population. Such  
8 facilities must be located in a distressed community or have as a  
9 primary mission to serve low-income persons.

10 (2) The department shall establish a competitive process to  
11 solicit, evaluate, and prioritize applications for the ((assistance))  
12 building communities fund program as follows:

13 (a) The department shall conduct a statewide solicitation of  
14 project applications from ((local governments,)) nonprofit  
15 organizations((, and other entities, as determined by the department)).

16 (b) The department shall evaluate and rank applications in  
17 consultation with a citizen advisory committee using objective  
18 criteria. ((At a minimum,)) Applicants must demonstrate that the  
19 ((requested assistance)) proposed project:

20 (i) Will increase the range, efficiency, or quality of the  
21 ((social)) services ((it provides)) provided to citizens;

22 (ii) Will be located in a distressed community or will have as a  
23 primary mission to serve low-income persons;

24 (iii) Meets at least one of the following objectives:

25 (A) To provide social services;

26 (B) To encourage small business startups or sustainability, expand  
27 employment opportunities for community residents, or increase the  
28 employability of community residents; or

29 (C) To offer educational and recreational opportunities separate  
30 from the public education system;

31 (iv) Reflects a long-term vision for the development of the  
32 community, shared by residents, businesses, leaders, and partners;

33 (v) Requires state funding to accomplish a discrete, usable phase  
34 of the project;

35 (vi) Is ready to proceed and will make timely use of the funds;

36 (vii) Is sponsored by one or more entities that have the  
37 organizational and financial capacity to fulfill the terms of the grant  
38 agreement and to maintain the project into the future;

1 (viii) Fills an unmet need for community services;  
2 (ix) Will achieve its stated objectives; and  
3 (x) Is a community priority as shown through tangible commitments  
4 of existing or future assets made to the project by community  
5 residents, leaders, businesses, and government partners.

6 (c) The evaluation and ranking process shall also include an  
7 examination of existing assets that applicants may apply to projects.  
8 ~~((Grant assistance under this section shall not exceed twenty five~~  
9 ~~percent of the total cost of the project.)) The department shall~~  
10 require a nonstate match for grant assistance under this section. The  
11 nonstate portion of the total project cost may include cash, the value  
12 of real property when acquired solely for the purpose of the project,  
13 and in-kind contributions. The required match shall not exceed twenty-  
14 five percent of the total cost of the project, and the exact percentage  
15 shall be determined by the department based upon its review of both the  
16 project and the applicant's relevant assets.

17 ~~((b))~~ (d) The department may not:

18 (i) Set a monetary limit to funding requests; or

19 (ii) Require that state funds be the last to be spent on a project.

20 (3)(a) The department shall submit a ((prioritized)) ranked list of  
21 recommended projects annually to the governor and the legislature in  
22 the department's ((biennial)) capital budget requests beginning with  
23 the ((2001-2003)) 2009-2011 biennium and thereafter. ((For the 1999-  
24 2001 biennium, the department shall conduct a solicitation and ranking  
25 process, as described in (a) of this subsection, for projects to be  
26 funded by appropriations provided for this program in the 1999-2001  
27 capital budget.)) The list shall include a description of each  
28 project, its total cost, the amount of requested state funding, and the  
29 amount of recommended state funding((, and documentation of nonstate  
30 funds to be used for the project)).

31 (b) The total amount of recommended state capital funding for  
32 projects on ((a biennial)) the annual ranked project list shall not  
33 exceed ((ten million dollars)) forty percent of the total amount  
34 appropriated for this purpose. In addition, if cash funds have been  
35 appropriated, up to three million dollars may be used for technical  
36 assistance grants. ((Except for the 1999-2001 biennium,)) The  
37 department shall not sign contracts or otherwise financially obligate

1 funds under this section until the legislature has approved a specific  
2 list of projects.

3 ~~((+e))~~ (4) The department shall also submit to the legislature an  
4 unranked list of the remaining eligible projects for which applications  
5 were received. The list must include a description of each project,  
6 its total cost, and the amount of state funding requested. The  
7 appropriate fiscal committees of the legislature shall use this list to  
8 determine, in the legislature's sole discretion, any additional  
9 building communities fund projects that may receive funding in the  
10 capital budget. The total amount of state capital funding available  
11 for all projects on the annual unranked list shall not exceed sixty  
12 percent of the total amount appropriated for this purpose.

13 (5) In addition to the ranked and the unranked lists, the  
14 department shall submit to the appropriate fiscal committees of the  
15 legislature all application materials it received and all working  
16 papers it developed during its evaluation process.

17 (6) After the legislature has approved a specific list of projects  
18 in law, the department shall develop and manage appropriate contracts  
19 with the selected applicants; monitor project expenditures and grantee  
20 performance; report project and contract information; and exercise due  
21 diligence and other contract management responsibilities as required.

22 (7) In contracts for grants authorized under this section the  
23 department shall include provisions which require that capital  
24 improvements shall be held by the grantee for a specified period of  
25 time appropriate to the amount of the grant and that facilities shall  
26 be used for the express purpose of the grant. If the grantee is found  
27 to be out of compliance with provisions of the contract, the grantee  
28 shall repay to the state general fund the principal amount of the grant  
29 plus interest calculated at the rate of interest on state of Washington  
30 general obligation bonds issued most closely to the date of  
31 authorization of the grant.

32 NEW SECTION. Sec. 5. ACCOUNTABILITY. (1) The department shall  
33 develop accountability and reporting standards for grant recipients.  
34 At a minimum, the department shall use the criteria listed in RCW  
35 43.63A.125(2)(b) to evaluate the progress of each grant recipient.

36 (2) Beginning January 1, 2011, the department shall submit an

1 annual report to the appropriate committees of the legislature,  
2 including:

3 (a) A list of projects currently under contract with the department  
4 under the building communities fund program; a description of each  
5 project, its total cost, the amount of state funding awarded and  
6 expended to date, the project status, the number of low-income people  
7 served, and the extent to which the project has met the criteria in RCW  
8 43.63A.125(2)(b); and

9 (b) Recommendations, if any, for policy and programmatic changes to  
10 the building communities fund program to better achieve program  
11 objectives.

12 NEW SECTION. **Sec. 6.** CAPTIONS NOT LAW. Captions used in this act  
13 are not any part of the law.

14 NEW SECTION. **Sec. 7.** Sections 2, 3, and 5 of this act are each  
15 added to chapter 43.63A RCW.

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